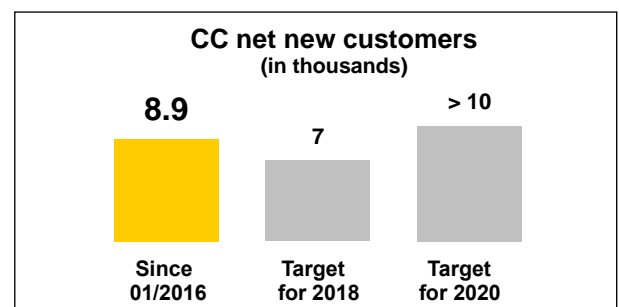
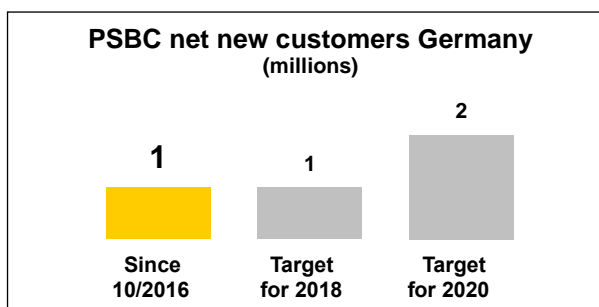
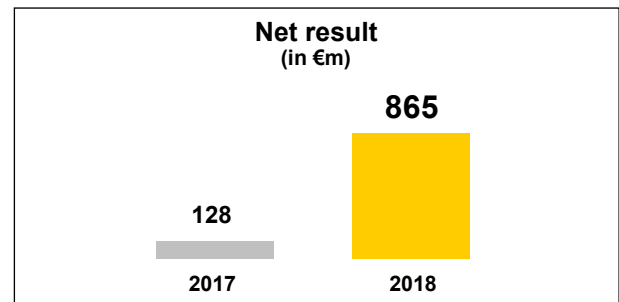
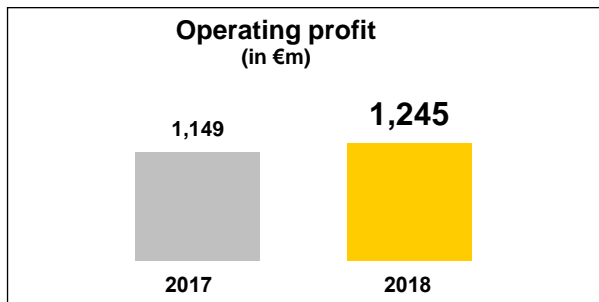


## Press release

For business editors  
14 February 2019

### Commerzbank: Successful first half of “Commerzbank 4.0” strategy – net result of €865m for 2018

- Operating profit of €1.2bn (2017: €1.1bn) and of €240m for Q4 (Q4 2017: €122m)
- Underlying revenues for 2018 up 5% at €8.6bn (2017: €8.2bn) – net interest income benefits from growth initiatives
- Operating expenses of €6.88bn despite investments in digitalisation and growth (2017: €6.83bn) – on track to meet cost target of €6.5bn
- Number of net new customers reaches one million mark: in 2018 alone, nearly 420,000 net new customers in German retail banking, while Corporate Clients registers a gain of 3,500 clients in 2018
- Scope for growth successfully utilised in lending business – Common Equity Tier 1 ratio of 12.9% by end of 2018
- Board of Managing Directors proposes dividend of 20 cents per share for financial year 2018
- Outlook for 2019: higher underlying revenues than 2018 and cost base of below €6.8bn



“Our strategy is right and is working. We are growing in terms of customers, lending volume and underlying revenues. We are making progress and this shows in our ability to pay a dividend.”

**Martin Zielke, CEO**

“Our clean balance sheet gives us scope for growth. We are using it successfully. This is reflected in the improved net interest income, higher underlying revenues and the Common Equity Tier 1 ratio of 12.9%.”

**Stephan Engels, CFO**

In the second year of its strategy implementation, Commerzbank increased its operating profit to €1.2 billion (2017: €1.1 billion) and its net profit to €865 million (2017: €128 million). The quality of its earnings significantly improved on the back of the successful growth in both core segments. Revenues after adjustment for exceptional items were up 5% year-on-year despite margin pressure. The target of one million net new customers was reached. Against a background of unchanged prudent lending standards, the corporate loan book has expanded by €7 billion or 9% since the end of 2016. Investments in digitalisation remained high, and operating expenses for 2018 were in line with expectations at just under €6.9 billion. The interlinking of IT with the product areas at head office is designed to help drive digitalisation forward. Work towards the strategic goal of further simplifying the Group has advanced as planned; following the signing of the purchase agreement with Société Générale in November 2018, the EMC business is now reported separately as “discontinued operations” in line with the accounting standard IFRS 5. The Bank further reduced its legacy portfolios in the Asset & Capital Recovery segment and was able to decrease its shipping portfolio to below €500 million by year end. The Bank has firm foundations, with a clean balance sheet and a significantly strengthened compliance function.

“Our strategy is right and is working. We are growing in terms of customers, lending volume and underlying revenues. We are making progress and this shows in our ability to pay a dividend”, said Martin Zielke, Chairman of the Board of Managing Directors of Commerzbank. “But it has also become clear during the first half of Commerzbank 4.0 that, given the challenging environment, we need to move even faster. That is why we are revamping our head office and interlinking the IT with our product areas. This will help us drive digitalisation forward and bring our offering to the market even quicker and more efficiently.”

**Group revenues** stood at €8,570 million for 2018 (2017: €8,764 million). The Bank increased its **underlying revenues** by a total of €441 million to €8,648 million in 2018 (2017: €8,208 million). This shows the quality of revenues has been substantially improved. In 2017, revenues were boosted by exceptional items and valuation effects of €557 million, whereas in 2018, these effects amounted to minus €78 million. This revenue swing was largely compensated for by the growth in the segments’ operating business. The growth initiatives led to a marked improvement in net interest income. In the fourth quarter of 2018, the Bank increased its underlying revenues slightly quarter-on-quarter to €2,151 million (Q3 2018: €2,122 million).

**Operating expenses** were in line with expectations in 2018. They amounted to €6,879 million (2017: €6,834 million). The slight increase on the previous year was due to ongoing strategic investments in digitalisation and technology. Also, costs arising from regulatory charges and compulsory levies continued to increase in 2018, reaching €420 million. The Bank managed to counteract these developments by means of strict cost management. Costs were down in the fourth quarter, at €1,641 million (Q4 2017: €1,731 million).

The **risk result**, at minus €446 million in 2018, remained at a low level. The Bank benefitted from the high quality of its loan books in its core segments and from the steady German economy as well as from write-

backs of provisions for loan defaults in the first half of the year. The risk result for the fourth quarter stood at minus €154 million, compared with minus €133 million for the third quarter. The already very low non-performing loan (NPL) ratio improved again in 2018 to 0.9% (2017: 1.3%). This reflects the Bank's high portfolio quality and its unchanged prudent lending standards.

The **operating profit** for 2018, at €1,245 million, was €97 million higher than the previous year's figure (2017: €1,149 million). €240 million was generated in the fourth quarter, compared to €122 million in the fourth quarter of 2017. The **pre-tax profit** for 2018, including the discontinued operations, came to €1,230 million (2017: €459 million). So after deduction of taxes of €262 million and minority interests of €103 million, Commerzbank posted a **net result** attributable to Commerzbank shareholders of €865 million for 2018 (2017: €128 million). In the fourth quarter, it was higher year-on-year, despite a higher tax rate, at €113 million (Q4 2017: €75 million).

## **Common Equity Tier 1 ratio at 12.9% – healthy risk profile**

The **Common Equity Tier 1 ratio** (CET 1) stood at 12.9% at the end of December 2018 (end of September 2018: 13.2%, beginning of 2018: 13.3%). This includes the dividend accrual of 20 cents per share for financial year 2018. The decrease in the ratio in the fourth quarter reflects the growth in lending in the core segments and a lower valuation of pension plan assets due to the weak equity markets. **Risk-weighted assets** (RWA) from credit risk increased by €2.5 billion in the fourth quarter, compared to the third quarter, reaching €147 billion. As a result, RWA rose overall to €180 billion (end of 2017: €171 billion, Q3 2018 €178 billion). The **leverage ratio** stood at a comfortable 4.8% at the end of 2018 (beginning of 2018: 4.8%). **Total assets** came to €462 billion (end of 2017: €452 billion).

“Our clean balance sheet gives us scope for growth. We are using it successfully. This is reflected in the improved net interest income, higher underlying revenues and in the Common Equity Tier 1 ratio of 12.9%”, commented Stephan Engels, Chief Financial Officer of Commerzbank. “We kept our operating expenses below €6.9 billion despite high investments. This means we are on track to meet our cost target of €6.5 billion in 2020.”

## **Performance of the segments**

In **Private and Small-Business Customers** (PSBC), the growth strategy is paying off. At the end of 2018, the segment reached the one million mark for new customers in Germany since October 2016, and is therefore on course to meet its target of a net two million new customers by the end of 2020. In 2018, the number of net new customers rose by 417,000. Despite the slump on the equity markets, Assets under Control in Germany grew by €8 billion to €382 billion, which means they have risen by €46 billion since December 2016. Mortgage lending volumes were also up year-on-year by 9% at €75.6 billion.

On the back of this growth, PSBC generated **revenues** of €4,803 million in 2018 (2017: €4,823 million). The previous year, non-recurring effects from the sale of the Concardis holdings and the termination of the consumer finance joint venture with BNP Paribas had a positive impact. **Underlying Revenues** rose by €234 million or 5% on the year to €4,847 million in 2018, helped by the fact that net interest income increased again in the fourth quarter, compared to the third quarter, as a result of the growth initiatives. In the fourth quarter, underlying revenues for the PSBC segment totalled €1,185 million (Q3 2018: €1,226 million; Q4 2017: €1,216 million). The decline versus the third quarter and the previous year can be attributed to a lower net fair value result and to the weak equity markets, which weighed on securities business in particular.

PSBC's **operating expenses** remained almost unchanged at €3,835 million in 2018 (2017: €3,811 million) despite higher regulatory costs and investments in growth. The **risk result** came out at minus €233 million for this, the first year in which the consumer finance business was entirely on Commerzbank's balance sheet. In total, the segment generated an **operating profit** of €735 million (2017: €858 million), including €172 million in the fourth quarter (Q3 2018: €186 million; Q4 2017: €147 million).

The **Corporate Clients** segment continued on its growth trend. In 2018, the segment gained a net 3,500 new customers, making a total of around 8,900 since the beginning of 2016. The lending volume rose by €4 billion to €82 billion in 2018 despite competitive pressure. Especially in the challenging market environment during the fourth quarter, Corporate Clients could prove the resilience of its customer-focussed business model.

In Corporate Clients, **revenues** amounted to €3,451 million in 2018 (2017: €3,613 million), while **underlying revenues** totalled €3,495 million (2017: €3,584 million). Stiff price competition and lower demand for capital market products had an impact here. Net interest income however increased, also in the fourth quarter. Main drivers were International Corporates and the Mittelstandsbank. Financial Institutions continued its positive trend and increased revenues by 3,5% year-on-year. The Mittelstandsbank managed to offset the margin pressure in its lending business through volume growth. In the fourth quarter, the segment's net interest income rose again slightly quarter-on-quarter by €20 million to €486 million, as a result of growth. This took underlying revenues to €857 million in the fourth quarter (Q3 2018: €850 million; Q4 2017: €896 million).

Strict cost management enabled **operating expenses** to be reduced in 2018, despite strategic investments, to €2,628 million (2017: €2,642 million). The cost of risk remained low and benefitted from write-backs in the first half of 2018. Therefore, the **risk result** was low at minus €194 million. In total, the **operating profit** for 2018 came in at €629 million despite the revamping and continued strong pressure on margins (2017: €676 million). The fourth quarter accounted for €122 million of this (Q3 2018: €184 million; Q4 2017: €34 million).

The **Asset & Capital Recovery** (ACR) segment further ran down its legacy portfolios by a total of €5.1 billion in 2018. The ship finance portfolio was substantially reduced to under €500 million and fewer than 60 ships. The commercial real estate portfolios were successfully decreased to around €900 million. Revenues fell to €114 million in 2018 (2017: €170 million), also as a result of the steadily shrinking legacy portfolio. The risk result came in at only minus €8 million owing to the much lower volumes. Therefore the operating result showed a sharp increase to €34 million (2017: minus €264 million). The figure for the fourth quarter was minus €56 million, impacted by negative valuation effects on hedging products (Q4 2017: minus €54 million).

## Outlook

Commerzbank will concentrate on further growth in the core segments, and is targeting higher underlying revenues in 2019. Since the European Central Bank has signalled a reduction of the SREP requirements by 25 basis points, the Bank is targeting a CET 1 ratio of at least 12.75% by the end of 2019. The Bank is planning for a cost base below €6.8 billion in 2019, while the drag from the risk result is likely to be at least €550 million. The Bank is planning to maintain a dividend for financial year 2019 at a level comparable to that intended for 2018. In what is a challenging market environment, the Bank will continue with its growth strategy, and is targeting an average revenue growth of 3% per year. It will further increase its digitalisation efforts by revamping its head office, which should contribute to a targeted cost base of €6.5 billion in 2020.

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## Financial figures at a glance (after adjustment according to IFRS 5)

in €m	2018*	2017	18 vs 17 in %*	Q4 2018*	Q4 2017	Q4 18 vs 17 in %*	Q3 2018*
Net interest income	4,748	4,295	10.5	1,237	1,132	9.3	1,223
Net commission income	3,089	3,192	-3.2	754	778	-3.2	771
Net fair value**	366	598	-38.8	-121	46	-	85
Other income	367	679	-45.9	166	149	11.7	62
<b>Income before risk result</b>	<b>8,570</b>	<b>8,764</b>	<b>-2.2</b>	<b>2,035</b>	<b>2,105</b>	<b>-3.3</b>	<b>2,140</b>
<i>Revenues excl. exceptional items</i>	8,648	8,208	5.4	2,151	2,165	-0.7	2,122
Operating expenses	6,879	6,834	0.7	1,641	1,731	-5.2	1,661
Risk result (2017: loan loss provisions)	-446	-781	-42.9	-154	-251	-38.9	-133
<b>Operating profit or loss</b>	<b>1,245</b>	<b>1,149</b>	<b>8.4</b>	<b>240</b>	<b>122</b>	<b>97.1</b>	<b>346</b>

in €m	2018*	2017	18 vs 17 in %*	Q4 2018*	Q4 2017	Q4 18 vs 17 in %*	Q3 2018*
Restructuring expenses	-	808		-	-		-
Current pre-tax profit or loss (discontinued operations)	-15	118	-	-30	16	-	-15
<b>Pre-tax profit or loss (Group)</b>	1,230	459	-	210	137	52.9	331
Taxes	262	237	10.8	75	35	-	89
<b>Consolidated profit or loss attributable to Commerzbank shareholders</b>	865	128	-	113	75	50.8	218
Earnings per share (€)	0.69	0.10		0.09	0.06		0.17
Cost/income ratio in operating business (%)	80.3	78.0		80.6	82.3		77.6
Operating RoTE (%)	4.8	4.3		3.6	1.8		5.3
Net RoTE (%)	3.4	0.5		1.8	1.2		3.5
Net RoE (%)	3.1	0.4		1.6	1.0		3.1
CET 1 ratio, Basel 3 fully phased in (%)	12.9	14.1		12.9	14.1		13.2
Leverage Ratio, Basel 3 fully phased in (%)	4.8	5.1		4.8	5.1		4.5
Total assets (€bn)	462	452		462	452		493

\* Since 1 January 2018, Commerzbank has applied the accounting standard IFRS 9. This has resulted in changes in accounting policies. In accordance with the transitional rules of IFRS 9, the comparative figures were not adjusted.

\*\* Net income from financial assets and liabilities measured at fair value through profit and loss.

**2018 figures published in this press release are preliminary and unaudited.**

From approximately 7 am onwards you can find broadcast-ready video material with statements by Martin Zielke and Stephan Engels at <http://mediathek.commerzbank.de/>.

The press conference will be broadcast [live on the internet](#).

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## Press contact

Nils Happich	+49 69 136-80529
Erik Nebel	+49 69 136-44986
Maurice Farrouh	+49 69 136-21947

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## About Commerzbank

Commerzbank is a leading international commercial bank with branches and offices in almost 50 countries. In the two business segments Private and Small Business Customers and Corporate Clients, the Bank offers a comprehensive portfolio of financial services which is precisely aligned to its clients' needs. Commerzbank finances approximately 30% of Germany's foreign trade and is the leading finance provider for corporate clients in Germany. Due to its in-depth sector know-how in the German economy, the Bank is a leading provider of capital market products. Its subsidiaries Comdirect in Germany and mBank in Poland are two of the world's most innovative online banks. With approximately 1,000 branches, Commerzbank has one of the densest branch networks among German private banks. In total, Commerzbank serves more than 18 million private and small business customers, as well as more than 70,000 corporate clients, multinationals, financial service providers, and institutional clients worldwide. In 2018, it generated gross revenues of €8.6 billion with approximately 49,000 employees.

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## Disclaimer

This release contains forward-looking statements. Forward-looking statements are statements that are not historical facts. In this release, these statements concern inter alia the expected future business of Commerzbank, efficiency gains and expected synergies, expected growth prospects and other opportunities for an increase in value of Commerzbank as well as expected future financial results, restructuring costs and other financial developments and information. These forward-looking statements are based on the management's current plans, expectations, estimates and projections. They are subject to a number of assumptions and involve known and unknown risks, uncertainties and other factors that may cause actual results and developments to differ materially from any future results and developments expressed or implied by such forward-looking statements. Such factors include the conditions in the financial markets in Germany, in Europe, in the USA and other regions from which Commerzbank derives a substantial portion of its revenues and in which Commerzbank holds a substantial portion of its assets, the development of asset prices and market volatility, especially due to the ongoing European debt crisis, potential defaults of borrowers or trading counterparties, the implementation of its strategic initiatives to improve its business model, the reliability of its risk management policies, procedures and methods, risks arising as a result of regulatory change and other risks. Forward-looking statements therefore speak only as of the date they are made. Commerzbank has no obligation to update or release any revisions to the forward-looking statements contained in this release to reflect events or circumstances after the date of this release.